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C O N F I D E N T I A L ATHENS 001476

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [GR](#)  
SUBJECT: VATOPAIDION SCANDAL CLAIMS ANOTHER VICTIM IN GREEK  
GOVERNMENT

REF: A. ATHENS 1302  
[1](#)B. ATHENS 1291

Classified By: A/Political Counselor Paul Carter for reasons  
1.4 (b) and (d).

#### Summary

[1](#)1. (C) On October 23, one of Prime Minister Karamanlis's closest aides, Minister of State and GoG spokesman Theodoris Roussopoulos, resigned in connection with the Vatopaidion real estate scandal -- the second minister to do since September. Roussopoulos is expected to remain in his seat in Parliament, meaning that the ruling National Democracy (ND) party will maintain its two-vote majority. Nevertheless, this ongoing scandal -- combined with the global financial crisis and other troubles that have lowered ND's approval rating --- are likely to limit, at least temporarily, the government's room for maneuver on the name issue and other international matters of importance. End Summary.

#### An Influential Figure Stepping Down

[1](#)2. (SBU) Roussopoulos, a polarizing figure who was seen as very close to Karamanlis, announced his resignation October 23 while angrily denying opposition charges he was "deeply" involved in the scandal. In a brief letter of resignation he said he was withdrawing from the cabinet in order to defend his reputation against a "devious and unfounded attack." The main opposition PASOK party had named Roussopoulos the prime suspect in the scandal over a government land swap with the Vatopaidion monastery and demanded a parliamentary investigation to examine Roussopoulos's alleged involvement with the monastery. Roussopoulos's departure from the cabinet does not affect ND's two-seat majority in Parliament. The former GoG spokesman is a "state deputy" in Parliament chosen by the Prime Minister and elected from a list, rather than a deputy elected by a constituency. The only way he would leave Parliament would be by resigning his seat voluntarily or by being expelled from the party caucus by Karamanlis, neither of which seems even a remote possibility at this time.

#### A Sordid Tale of Monks, Ministers, and Real Estate

[1](#)3. (SBU) The controversy surrounding the Vatopaidion monastery (variously spelled Vatopedi, Vatopaedion, and Vatopadion) dates back to late 1999, when the then-PASOK government recognized the monastery's ancient titles for large amounts of land in northern and other parts of Greece as legal. The land-swap deals, which burst into publicity in early spring 2008, involved Vatopaidion trading some of these properties to the state in exchange for other properties (ref B) via alleged extensive "quiet" negotiations between Vatopaidion's Abbot Efrem and government ministers. A

preliminary prosecutor's investigation has discovered that the monastery profited by at least EUR 100 million (roughly USD 135 million) through trading less valuable land for prime state-owned plots and buildings. In addition to this imbalance, the ownership of many of the properties the monastery traded away in the first place is highly contentious. In fact, the Vatopaidion affair came to the fore in part because of ongoing litigation between the monastery and farmers cultivating land claimed by Vatopaidion on the basis of titles dating back to Ottoman times.

¶4. (SBU) Both major parliamentary parties have Vatopaidion connections, but the ND government has taken the biggest hit.

Press reports and blogs have been reporting new details on an almost daily basis. A picture emerges of a complicated web of present and past government ministers, permanent civil servants, other officials, and the monks promoting what one commentator called "the lucrative side of holy real estate business." Merchant Marine Minister George Voulgarakis was forced to resign September 12 when it was revealed that his wife, a notary public and daughter of one of Vatopaidion's legal advisers, had written some of the land-swap contracts for a handsome fee (ref A). Mrs. Voulgarakis remains under a prosecutor's probe. Following her husband's resignation, the opposition turned its sights on Roussopoulos for his alleged ties to the deal and to Abbot Efrem. In response to the outcry, Karamanlis announced a blanket revocation of the land swaps, but Vatopaidion said it would challenge this decision in court, and many lawyers familiar with the case say the monastery stands a good chance of winning. The political maneuvering has continued with PASOK making a motion for a parliamentary vote October 24 on setting up a parliamentary criminal investigation. New Democracy, apparently fearful

that it could not count on its MPs to vote against the motion in a secret ballot, announced it would boycott the balloting.

Comment

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¶5. (C) Dealing simultaneously with this scandal, fallout from the global financial crisis, and slipping poll numbers, the ND government is currently on the defensive. As ND leaders look for a way to regain the initiative, they are likely to be even more cautious than before about taking on international initiatives -- such as major moves on the name issue -- that could expose them to further domestic criticism. SPECKHARD